that non-defaulting farmers have a continuous access to institutional credit at a much lower rate of interest due to interest subvention provided by the Government. Credit made available to these farmers from institutional lenders is also larger leading to proper investment and better returns from agriculture compared to non-institutional borrowings.

In the Union Budget 2008-09, the Government has announced a debt waiver and debt relief scheme for farmers, which stipulates that all agricultural loans disbursed by Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs) and Cooperative Credit Institutions to small and marginal farmers upto 31st March, 2007 that were overdue as on 31st December, 2007 and which remained unpaid until 29th February, 2008 will be waived while under One Time Settlement (OTS) scheme for other farmers, a rebate of 25% against payment of the balance amount of 75% is allowed.

**Cuts in direct and indirect taxes on consumer items**

2405. SHRI MAHENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the recent Budget bonanza included direct and indirect tax cuts in excise duties to bring down the prices of certain consumer items;

(b) if so, the details thereof;

(c) whether these tax benefits have been passed on to the consumers, and the industries have reduced the prices to match the cut in excise duties;

(d) if so, the details thereof;

(e) if not, the reasons therefor; and

(f) what action Government proposes to take against those who do not reduce the prices?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Excise duty cuts were done in budget 2008-09 to give a stimulus to the manufacturing sector, particularly sectors where growth is flagging. Some of these sectors are growth and employment drivers or have large externalities. They include pharmaceuticals, buses and their chassis, small cars, two wheelers and paper, paper-board and articles.

(c) to (e) The price of a product is a function of several factors, including cost of raw materials, labour costs, power, interest cost and other commercial considerations arising out of competition and prevailing demand-supply conditions. Besides, there is no mandatory or legal requirement to pass on every excise duty cut in the same proportion to consumers.

(f) Does not arise in view of (a) to (e) above.

**Legal suits by companies against banks dealing in derivations**

2406. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) whether there has recently been a spate of legal suits by companies against banks that have sold them derivatives and caused losses;

(b) how many such cases are there wherein banks are involved; what are the kind of derivates sold, the names of the banks which are doing this business and how much losses have been caused to the companies; and

(c) what is the role of RBI in such matters?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The banks enter into the derivative transactions with companies as a part of their business. Most of the commercial banks undertake derivative transactions. However, the new private sector banks such as ICICI Bank, HDFC Bank, Kotak Mahindra Bank, AXIS Bank, Yes Bank are actively dealing in derivative products, which include Cross Currency Swaps, Currency Options. Corporates often enter into derivative transactions with banks to hedge against adverse currency movements having bearing on their earnings. Reserve Bank of India (RBI) has reported that certain cases of alleged losses by the companies on account of derivatives sold by the banks have come to its notice. However, the existing Management Information System of RBI does not generate the information about the loss caused to the companies or involvement of banks in legal suits on account of derivative transactions.

(c) To provide a framework for undertaking derivative transactions from a regulatory perspective, RBI has issued comprehensive guidelines on derivatives *vide* its circular dated 20th April, 2007. The guidelines emphasise the need for a proper risk management framework and appropriate corporate governance practices. To protect the market-maker against the credit, reputation and litigation risks that may arise from a user's inadequate understanding of the nature and risks of the derivative transactions, the guidelines also provide that market-makers should adopt a board approved 'Customer Appropriateness and Sutability Policy' for derivative business. As a regulator of foreign exchange market, RBI also issues policy guidelines to Authorised Dealers to facilitate hedging by residents/ corporates their foreign currency exposure by use of derivatives such as Forwards, Swaps and Options.

**Guidelines for operations of foreign funds**

2407. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government has any policy or guidelines with respect to operations of foreign funds in the country;

(b) if so, the details thereof; and

(c) if not, whether Government has any proposal to frame a policy or guidelines on the issue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Foreign funds may come to the country either to Government or to non-Government entities. Funds received in the Government of India are in the form of Development related funds, grants and credit etc. The Development related funds are received from multilateral agencies *viz.* World Bank, IMF and ADB etc. and bilateral donors *viz.* EU, Japan, UK, France and Germany etc. Funds received from these agencies are project specific and utilized as per agreements signed. Foreign funds may come to non-Government entities for investment or non-investment purposes. The foreign funds for investment purposes are governed by FDI policy, amended by GOI from time to time. Foreign Investment in India is also received through Foreign Portfolio Investments (FPI) and Foreign Venture Capital Investors (FVCIs) routes. The latter two